



CITY OF FREDERICKSBURG, VIRGINIA
CITY COUNCIL
MINUTES
Council Chambers, 715 Princess Anne Street
Fredericksburg, Virginia 22401

HON. MARY KATHERINE GREENLAW, MAYOR
HON. WILLIAM C. WITHERS, JR., VICE -MAYOR, WARD TWO
HON. KERRY P. DEVINE, AT-LARGE
HON. MATTHEW J. KELLY, AT-LARGE
HON. BRADFORD C. ELLIS, WARD ONE
HON. DR. TIMOTHY P. DUFFY, WARD THREE
HON. CHARLIE L. FRYE, JR., WARD FOUR

Council Work Session
March 8, 2016

Economic Incentives at Liberty Place
Economic Development Authority Applicant Interview

The Council of the City of Fredericksburg, Virginia held a work session on Tuesday, March 8, 2016, beginning at 5:30 p.m. in City Hall Conference Room.

Council Present. Mayor Mary Katherine Greenlaw, Presiding. Councilors William C. Withers, Jr., Kerry P. Devine, Timothy P. Duffy, Bradford C. Ellis, Charlie L. Frye, Jr. and Matthew J. Kelly.

Also Present. City Manager Beverly Cameron, Assistant City Manager Mark Whitley, City Attorney Kathleen Dooley, Economic Development Director Karen Hedelt, Assistant Economic Development Director Bill Freehling, Planning and Building Services Director Charles Johnston and Clerk of Council Tonya B. Lacey

Others Present. Thomas Wack, Developer of Liberty Place.

Economic Incentives at Liberty Place. Mr. Freehling presented a PowerPoint presentation that covered background information on Liberty Place, a video of the property and what it is proposed to look like, the status of Liberty Place, the incentive proposal, tax revenue at Liberty Place, the proposal in numbers, why the applicant was requesting to handle the incentives, they showed a comparable example of incentives being handled this way, discussed why incentives were needed, and what would happen if Council approved the incentive request. (See attachment for more information).

To answer the many questions by Council Mr. Wack explained that they were pushing up against what the market would bare and what they could charge for rent. The banks were also requiring more equity therefore they had to bring more partners on the general side and the revenue side. The partners would be a mezzanine financing piece to the project. The incentives package would help the partners to get a return and allow Mr. Wack to take the risk. More

than half of the incentives would go to the tenants. He has made rent schedules for the two restaurants that they are in negotiations with. One of the restaurants has a lease written. The incentives will allow them to reduce rent for the first few months after opening. Without the incentives Mr. Wack said he would have to charge more on rent and sales. The banks were also requiring 50 percent presale on residential and 75 percent presale or prelease on commercial. He explained that there was a timing issue as well and the sooner he could get everything finished the sooner they could begin on the project. They currently have 30 reservations from a presale event they held on the residential side in September. The reservations required a \$5000 deposit to get a place in line to pick units.

Councilor Ellis asked if there was room to make the building look more historic and Mr. Wack explained that they were going for more of a repurposed warehouse or factory look similar to the old Maury School or the Marstel Day building on Lafayette Boulevard and the other building was to look more modern. He also addressed the question on being leed certified and after talking to the architects they did not feel there would be any benefits in the marketing if they were leed certified. He said by doing what was required by code the building would be leed certified. He explained that the roofs would be white to reflect heat, map of succulence in the alley, exterior walls would be six inches thick with 2 inches of foam insulation and they would be doing as much as possible to keep operating cost down. The patio surface would be a petal stool paving system because a lot of the property would sit on top of the parking garage. The landscaped area and the water feature would also be on top of the garage.

Councilor Kelly expressed his concern with the incentives package and he said the criteria of incentives were to meet goals of the City and not to make a project move forward. He was not in support of incentivizing more restaurants downtown or allowing the developer to negotiate the incentives. Councilor Kelly stated that this project would be competing with other projects that were being developed in the larger counties. He said this needed to be something to attract smaller tech companies; therefore he did not feel it was compatible and did not meet the goals of the Council.

Mr. Wack stated there would be 34,000 square feet of office space, roughly 10,000 square feet of retail and 10,000 square feet of restaurant. Everything on the ground level facing the plaza would be restaurant. He said there was a lot of interest on the office space.

Vice-Mayor Withers also showed concerned with more restaurants in the downtown but he was in support of the project because of the parking and he said the net benefit was worth it.

Councilor Devine said her only concern with shifting the incentives was that the City would not be able to choose the type of businesses and because of that the City may end up with more of the same type businesses.

Councilor Duffy asked if this would open the door for more projects coming back asking for incentives and Mayor Greenlaw stated that each project had to be looked at separately.

Councilor Frye asked if it were better for the City to make the deals or for the developer and Economic Development Director Hedelt stated that allowing the developer make the deal would enable him to move the project forward.

Mayor Greenlaw said she thought this type of incentivizing was brilliant. She said reducing rent on the front end for the tenants was valuable to closing deals. She said this was a wise use of the incentives. Councilor Ellis said it was going to cost but he believed it was going to be a good return on investment.

Councilor Kelly felt as though the City was in reactive mode and he said turning over tax dollars to a developer was not a good idea. Councilor Devine agreed there needed to be discussion on incentives but she felt this was a shifting of incentives and she said it was okay to be creative with them. Vice-Mayor Withers noted that the City would be getting back more than it would be giving up in incentives.

Councilors Greenlaw, Withers, Devine, Duffy, Ellis and Frye were in agreement with moving forward with the incentive package.

Economic Development Authority Interview.

Steve D'Lugos – when asked if there was something that needed to be done to bring in new revenue for the EDA Mr. D'Lugos said that bond market drives the ability to bring in revenues. He said the EDA needed to know what the strategic vision was for Economic Development in the City. He said as far as revenue are concerned the EDA would like to take the money that's made off of the Charles Street property and use it to work with the Council to work on parking solutions. He said the revenue projections are flat and they try to market the EDA. Mr. D'Lugos highly praised Mr. Chris Hornung. He said he had a vision and was smart and intellectually honest and people of his age needed to build a bench for young men like Mr. Hornung. He spoke on some of the projects that the EDA had worked on: baseball, the

strategic plan and the small grants to help the businesses which have been a great success. He said there was no reason the EDA could not give an existing business incentives to help the business if it would help revenues.

He was asked how he thought the EDA could be more proactive in working with the Economic Development office and Mr. D'Lugos said Karen Hedelt and Bill Freehling worked well together with the EDA. He discussed how the EDA could buy and invest in things and issue bonds and he would like to see the EDA and the City Council check in with each other at least once a year to help move things forward.

Adjournment. There being no further business to come before the Council at this time. Mayor Greenlaw declared the work session officially adjourned at 7:06 p.m.

Tonya B Lacey

**Tonya B. Lacey
Clerk of Council
City of Fredericksburg**

APPROVED

04-12-16